

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 1085-01
Bill No.: HB 303
Subject: Administration, Office of; State Departments; State Employees;
Type: Original
Date: February 11, 2003

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2004	FY 2005	FY 2006
General Revenue	\$0	\$0 or Greater than \$4,282	\$0 or Greater than \$4,282
Total Estimated Net Effect on General Revenue Fund	\$0	\$0 or Greater than \$4,282	\$0 or Greater than \$4,282

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2004	FY 2005	FY 2006
Various	\$0	\$0 or Could be \$3,968	\$0 or Could be \$3,968
Total Estimated Net Effect on Other State Funds	\$0	\$0 or Could be \$3,968	\$0 or Could be \$3,968

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 6 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2004	FY 2005	FY 2006
Various	\$0	\$0 or Could be \$3,968	\$0 or Could be \$3,968
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0 or Could be \$3,968	\$0 or Could be \$3,968

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2004	FY 2005	FY 2006
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Office of Administration – Division of Budget and Planning** assume the proposal would not result in additional costs or savings to their Division.

Officials from the **Office of Administration – Division of Accounting (COA)** state the language in this proposal imposes an additional administrative burden on the plan administrator to conduct additional enrollments, change the official plan documents and their instructions to employees and agencies. Reprogramming costs would also be incurred to increase available options in the plan for four additional vendors that would qualify. COA assumes the effective date requires mid-year special enrollment period and conversion of from payroll deductions to cafeteria plan deductions to cafeteria plan reductions. COA assumes ongoing maintenance costs will be increased to process employee terminations - refunds and adjustments to taxable income. COA assumes they will need 3 additional FTE (2 Central Accounting Technicians and 1 Accountant II) and programming/maintenance costs totaling approximately \$138,000 annually. COA states the additional FTE would be needed to approve sales literature, handle employee complaints and maintain the payroll files and employee tax records. COA also assumes the proposal would result in additional work for all personnel/payroll officers who would have to enroll the participants of these plans in the Cafeteria Plan.

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ASSUMPTION (continued)

Oversight assumes:

- (1) A mid-year special enrollment period and conversion would not be needed;
- (2) The Office of Administration could implement the proposal with existing resources; and
- (3) Additional duties, related to the proposal, imposed on various state agencies' personnel offices could be absorbed.

Oversight assumes there would also be a fiscal impact to state funds in the event at least one company receives \$500,000 annually in employee deductions pursuant to this proposal.

Oversight illustrates the impact with the following example – assuming one company receives \$500,000 annually in employee deductions, the State would: 1) lose 6% of \$500,000 (\$30,000) in taxes because the \$500,000 is pre-tax for employees; and 2) gain savings of 7.65% (\$38,250) because the State would not have to match this amount in FICA. Using this example, the State would realize a net positive savings of \$8,250. **Oversight** assumes this portion of the fiscal impact would begin in FY 2005.

Oversight obtained a spreadsheet, prepared by Budget and Planning, which shows the percentage of FY 2003 Personal Service charged to General Revenue and Federal and Other Funds. According to this spreadsheet, 51.9% of personal service costs are charged to General Revenue and 48.1% are charged to Federal and Other funds. **Oversight** is able to apply this calculation to General Revenue and assumes a net savings to Other State Funds and Federal Funds which could be \$3,968 in any given fiscal year.

Oversight notes the proposal contains permissive language and has therefore ranged the fiscal impact.

FISCAL IMPACT - State Government

FY 2004
 (10 Mo.)

FY 2005

FY 2006

GENERAL REVENUE

Savings – Various State Agencies

Reduction in State Match of FICA

\$0	\$0 or Greater than \$19,852	\$0 or Greater than \$19,852
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Loss – Various State Agencies

Reduction in Taxes

\$0	\$0 or (Greater than \$15,570)	\$0 or (Greater than \$15,570)
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**ESTIMATED NET EFFECT ON
 GENERAL REVENUE FUND**

<u>\$0</u>	<u>\$0 or Greater than \$4,282</u>	<u>\$0 or Greater than \$4,282</u>
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VARIOUS OTHER STATE FUNDS

Savings – Various State Agencies

Reduction in State Match of FICA

\$0	\$0 or Could be \$18,398	\$0 or Could be \$18,398
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Loss – Various State Agencies

Reduction in Taxes

<u>\$0</u>	<u>\$0 or (Could be \$14,430)</u>	<u>\$0 or (Could be \$14,430)</u>
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**NET EFFECT ON VARIOUS OTHER
 STATE FUNDS**

<u>\$0</u>	<u>\$0 or Could be \$3,968</u>	<u>\$0 or Could be \$3,968</u>
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<u>FISCAL IMPACT - State Government</u>	FY 2004 (10 Mo.)	FY 2005	FY 2006
FEDERAL FUNDS			
<u>Savings</u> – Various State Agencies			
Reduction in State Match of FICA	\$0	\$0 or Could be \$18,398	\$0 or Could be \$18,398
<u>Loss</u> – Various State Agencies			
Reduction in Taxes	\$0	\$0 or (Could be \$14,430)	\$0 or (Could be \$14,430)
NET EFFECT ON FEDERAL FUNDS	<u>\$0</u>	<u>\$0 or</u> <u>Could be \$3,968</u>	<u>\$0 or</u> <u>Could be \$3,968</u>

<u>FISCAL IMPACT - Local Government</u>	FY 2004 (10 Mo.)	FY 2005	FY 2006
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT - Small Business

No direct fiscal impact to small businesses would be expected as a result of this proposal.

DESCRIPTION

This proposal revises the operation of the Cafeteria Plan for State employees. The proposal allows the Commissioner of Administration to include in the Cafeteria Plan, products from vendors if: 1) the product is eligible under the United States Code; 2) the vendor is approved by the Office of Administration; and 3) the vendor is receiving at least \$500,000 annually from State

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employees through voluntary payroll deductions.

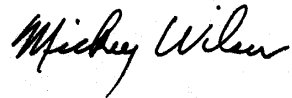
DESCRIPTION (continued)

This proposal is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Office of Administration

- Division of Accounting
- Division of Budget and Planning



Mickey Wilson, CPA
Director

February 11, 2003